

## Message Text

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43

ACTION EB-11

INFO OCT-01 ARA-16 ADP-00 AID-20 NSC-10 RSC-01 CIEP-02

TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

L-03 H-02 DODE-00 PA-03 USIA-12 PRS-01 FSE-00 ABF-01

EA-11 EUR-25 RSR-01 /184 W  
----- 051165

R 111130Z JUL 73

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 8576

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL RECIFE

AMCONSUL SAO PAULO

UNCLAS BRASILIA 4298

E. O. 11652: N/A

TAGS: EFIN, BR

SUBJECT: CRUZEIRO DEVALUATION

REF: BRASILIA 2351

1. CRUZEIRO DEVALUED EFFECTIVE JULY 9. NEW RATES  
6.09 BUYING, 6.13 SELLING. DEVALUATION 0.495 PERCENT  
ON BUYING RATE CAME AFTER 76 DAYS AT PREVIOUS RATE.

2. FOR SOME WEEKS CENTRAL BANK HAS NOT POSTED RATES  
FOR CURRENCIES OTHER THAN DOLLAR. THIS DUE TO WIDE  
FLUCTUATIONS IN EXCHANGE MARKETS. IF REQUESTED CENTRAL  
BANK WILL OBTAIN OR SELL OTHER CURRENCIES AT THE MARKET  
FOR ACCOUNT OF BRAZILIAN FOREIGN EXCHANGE BANKS.  
EMBASSY HAS IMPRESSION THIS SERVICE IS NOT USED VERY  
MUCH, AND THAT BANKS TEND TO MAKE OWN ARRANGEMENTS,  
EITHER TRADING DIRECTLY FOR OTHER CURRENCIES OR GOING  
THROUGH DOLLARS.

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3. SMALL ADJUSTMENT OF ONE HALF ONE PERCENT IN  
RELATION TO DOLLAR HARDLY SEEMS SIGNIFICANT IN LIGHT  
OF WIDER FLUCTUATIONS, AND EMBASSY NOT AWARE OF  
REASON WHY STEP WAS TAKEN.

4. PREVIOUSLY PREVAILING RATE OF 6,06 BUYING HAD  
ALSO BEEN RATE FROM OCT 17 TO NOV 22, 1972 WHEN RATE  
MOVED TO 6,13. THUS THERE WAS NO NET DEVALUATION  
AGAINST DOLLAR FOR PERIOD BETWEEN OCT 17,  
1972 AND JULY 9, 1973, ALMOST NINE MONTHS. PREVIOUS  
HIGH FOR DOLLAR AGAINST CRUZEIRO WAS 6.18 FOR PERIOD  
DEC 15, 1972 TO FEB 14, 1973.

5. ALTHOUGH CRUZEIRO HAS THUS REMAINED MORE OR LESS  
STABLE AGAINST DOLLAR, SINCE IT HAS REMAINED PEGGED  
TO DOLLAR, IT HAS DEPRECIATED ALONG WITH DOLLAR  
AGAINST EUROPEAN CURRENCIES AND YEN. THIS HAS, NO  
DOUBT, BEEN HELPFUL IN MAKING BRAZILIAN MANUFACTURED  
GOODS MORE COMPETITIVE IN EUROPE AND JAPAN, BUT EMBASSY  
HAS IMPRESSION THAT WORLD WIDE INFLATION WITH ATTENDANT  
VERY HIGH PRICES OF AGRICULTURAL PRODUCTS HAS BEEN MORE  
IMPORTANT FACTOR IN BRAZILIAN EXPORT RECEIPTS.  
CLEVELAND

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